Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

The Impacts of Plastic Production and Disposal on Environmental Justice Communities

Before the:
United States Senate
Committee on Environment and Public Works
Subcommittee on Chemical Safety, Waste Management, Environmental Justice and Regulatory Oversight

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Executive Summary of Testimony

Policy must expand opportunities for all our citizens, advance sustainability and support economic growth. High energy prices are a regressive tax on the most vulnerable, and domestic energy development is paramount to addressing energy poverty.

Pennsylvania is a major producer of energy, electricity, gas, construction materials, food, medicine, and products used to sustain life, with several major advances underway to establish a circular economy that minimizes water and plastics waste.

The state's chemicals industry supports more than $24 billion in annual economic output and 55,000 jobs.

The pandemic and recent supply chain shocks have made clear how important it is for our state and nation to have a robust and reliable supply of energy and life-sustaining products.

One of the key criteria in defining an environmental justice community is the percentage of households or individuals in poverty. These communities want jobs. We must embrace and pursue tax and regulatory policy that does not drive opportunity away from these communities.

North American chemical manufacturers rely on natural gas and petroleum feedstocks for 99 percent of the building blocks for more than 70,000 different products, including a variety of medical devices, products and vaccines. These feedstocks are also used to produce ammonia and fertilizer, which are necessary to provide food to a growing global population.

According to the United States Environmental Protection Agency, manufacturing goods from recycled materials typically requires less energy than producing goods from virgin materials and thereby reduces emissions, and plastics play a key role in reducing greenhouse gas emissions and ensuring resilience from natural disasters.

Pennsylvania's approach to environmental justice has, to date, established a process that has ensured public participation from impacted communities and a permitting process that produces durable permitting decisions.

Our state's energy, plastics and chemicals industries are a major economic driver, but it has not been our experience that plastic production operations have frequently triggered environmental justice analyses and the associated enhanced public participation process, owing both to the geographies in which they operate and the nearby demographics. Nonetheless, there remains an extremely protective and stringent regulatory regime applicable to these facilities and operations.

As state and federal regulators and legislators define policy goals with respect to environmental justice, the implementation of these goals must come through clearly articulated, objective regulatory standards, established by statute and through a rulemaking process, that are applied fairly and allow communities to thrive.

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We strongly support the announcements from leaders on both sides of the aisle, including Chairman Carper and Ranking Member Capito, on legislation to enact meaningful permitting reform to drive more investment forward.

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Good morning Chairman Merkley, Ranking Chairman Mullin, and members of the subcommittee,

My name is Kevin Sunday, director of government affairs for the Pennsylvania Chamber of Business and Industry, the largest, broad-based business advocacy organization in the Commonwealth. Our nearly 10,000 members are of all sizes and of all commercial and industrial sectors.

Thank you for the opportunity to take part in this important discussion. We are at a critical juncture in terms of setting policy that expands opportunities for all our citizens, while at the same time making progress on both sustainability and continued economic growth. High energy prices are a regressive tax on the most vulnerable, which is why responsible, robust domestic energy development is paramount to address energy poverty.

The abundant natural resources of our state have led this country through every major energy transition that has occurred in the past 165 years, from the first oil well drilled in this country in Titusville in 1859, to the first delivery of natural gas to a major metro in Pittsburgh in 1884, to the first commercial nuclear plant in Shippingport in 1958, to today's prolific production of shale gas and many exciting innovations in the circular economy, advanced recycling, advanced manufacturing and distributed energy resources.

We are presently the nation's largest exporter of natural gas and electricity, the second largest exporter of coal to international markets, and the second largest producer of electricity from nuclear power. We are a leading producer of aggregates, hardwoods, concrete, cement and the construction materials that are needed to build roads, bridges, schools and homes. We are home to top-tier universities that are producing globally recognized engineering talent and trade schools that train and develop highly in-demand technical talent. We are host to the headquarters of PJM, which manages delivery of power to 65 million Americans in 13 states across what is the world's largest organized grid from offices in southeastern Pennsylvania. We are also home to several of the last remaining refineries in the northeast, and are proud to count among the Chamber's members companies that are leading in areas like life sciences, advanced materials manufacturing, renewable power, distributed energy resources, robotics, electrified heavy trucking, carbon capture, and hydrogen production.

Our state's energy resources have helped dramatically improve the nation's energy security, as well as that of our allies, and significantly reduced our emissions. Among all states, we are second in the reduction of greenhouse gas emissions since 2005, and we are for the first time in decades monitoring attainment statewide for all but one of the federal ambient air quality standards.

In short, we represent a state that has from the outset of this nation been a leader in developing the natural resources, energy and manufacturing that has powered this nation through wars and several energy transitions. It is very clear, as per the significant interest we received in our recently conducted "Coolest Thing Made in PA" contest, that Pennsylvanians are very proud of the things we produce – and ready to do more.

The pandemic and recent supply chain shocks have made clear how important it is for our state and nation to have a robust and reliable supply of energy and life-sustaining products. It is vital to set policy that provides for these operations to be built and expanded in the United States, and not in countries who do not share our labor and environmental standards and who may not be trusted to be reliable trading partners.

Policy Must Foster Growth for Domestic Manufacturers and Opportunity Environmental Justice Communities

One of the key criteria to delineating an environmental justice community is the percentage of households or individuals in poverty. These communities want jobs. There is well-demonstrated literature on the long-term negative public health consequences of high unemployment in a community. Households in the lowest quintile of income pay proportionally the highest amount on energy and utilities.

Therefore, we must embrace and pursue tax and regulatory policy that does not drive investment and opportunity away from these communities. Nor should we deprive our allies in Europe and the citizens in developing nations throughout the global south access to reliant, responsibly developed American energy and materials – the export of which will require significant new construction of infrastructure in this country, as well as a streamlined permitting process and trade relations that support such a relationship.

Pennsylvania is, as noted above, a leading producer of gas and electricity, as well as with plastics, waste management and recycling. The state's chemicals industry, according to our peers at the Pennsylvania Chemical Industry Council, supports more than $24 billion in annual economic output and 55,000 jobs. Companies in Pennsylvania ship $4.68 billion in products to customers around the world and generate $209 million in state and local taxes and $398 million in federal taxes annually.

As we recognize the economic benefits of this industry to Pennsylvania, and we also note the industry's commitment to reducing waste and emissions. Limiting domestic output of this industry will produce negative economic and environmental costs and impacts, from raising the cost of goods and services for working families and sending more jobs overseas, to increasing global emissions and an increase in the amount of waste sent to landfills.

As Governor Josh Shapiro, like Governors Wolf and Corbett before him, has recognized, the state's plastics and petrochemical industry is going to be a key driver for the state's competitiveness and the economic vitality of the region and nation. Gov. Shapiro's inaugural address pointed to support for a hydrogen hub, supported by funding from the Infrastructure Investment and Jobs Act, and the expansion of advanced materials and innovative industries, which will require policy that encourages continued public-private partnership and investment into these sectors.

This is also an extremely energy-intensive business, and North American chemical manufacturers rely on natural gas and petroleum feedstocks for 99 percent of their manufacturing operations.

These feedstocks are used as the building blocks for more than 70,000 different products, including a variety of medical devices, products and vaccines. These feedstocks are also used to produce ammonia and fertilizer, which are necessary to providing food to a growing global population.

Further, our nation's ambitious climate and infrastructure goals require innovations and emerging technologies from sectors across the economy, including the petrochemical industry. Important elements supporting the energy transition rely on petrochemical sector technologies, products, and services.

According to EPA, manufacturing goods from recycled materials typically requires less energy than producing goods from virgin materials and reduces emissions. Plastics play a key role in renewable technologies and batteries – from light weighting automobiles to composite components of wind turbines and solar panels, so it is all the more important that we develop strategies for their responsible use and recycling.[1] In short, reducing greenhouse gas emissions in the United States requires making every tool in the toolbox available.

Pennsylvania's Chemicals, Manufacturing and Recycling Sectors Are Working Hand-in-Hand with Communities for Inclusive, Sustainable Growth

In Pennsylvania, we have seen tremendous growth in new manufacturing and recycling projects as we harness our abundant and diverse energy resources. I would like to bring a few of these to the committee's attention as you deliberate on this matter.

Among the many innovative endeavors currently underway in Pennsylvania is the International Recycling Group's proposed zero landfill plastics recycling facility that will be located on the redeveloped site of a former papermill that previously employed thousands in Erie, PA and moved overseas. As noted in letters of support from Senators Bob Casey and John Fetterman for an EPA grant for the new facility and an innovative alternative, community-based collection system sponsored by IRG, this facility "will be the largest and most technologically advanced plastics recycling plant in the United States." In a city whose municipal finances are challenged by declining population and deindustrialization, this project will support hundreds of local jobs in an economically disadvantaged Environmental Justice community, as well as empower local residents to take greater ownership in their neighborhood's environmental quality. The project is supported by a number of community groups, including the Urban Erie Community Development Corporation, and is a stellar example of how this industry is leaning in to empower local communities through responsible economic development.

In Pennsylvania, Monroe Energy's refinery, one of the few remaining refineries in the northeast, located outside of Philadelphia in Delaware County, has created and supports thousands of good paying, family sustaining jobs in the tristate region, in addition to the fuels necessary to power transportation and aviation markets. A 2012 study by the Pennsylvania Department of Labor and

[1] https://www.globalenergyinstitute.org/plastic-innovation-driving-climate-progress

Industry was commissioned following the closure of three refineries the year before. This study found the following: "The employment multiplier for these layoffs in southeastern Pennsylvania is substantial. An estimated 18.3 jobs will be lost for each layoff. The employment multipliers in this industry for the state and the nation are 22 jobs and 61 jobs, respectively." Monroe Energy provides significant economic benefits, which reverberate throughout the region, including to blue-collar workers in the skilled trades. The leadership and workforce at the facility also engage with local community groups, including the Chester Environmental Partnership (CEP). Led by Dr. Reverend Horace Strand, CEP has been at the forefront of the environmental justice movement for the past several decades. In 2021, CEP recognized the Monroe facility for its support and engagement with its company of the year award.

Finally, in southwestern Pennsylvania, Shell's world-class polymers manufacturing facility recently came online. Construction required an investment of more than $6 billion, and, at its peak, employed more than 6,500 workers. According to an analysis conducted by Robert Morris University, ongoing operations will require 600 full-time workers, many of them locally trained; support more than 11,000 jobs statewide; and increase economic activity in the state by nearly $82 billion. The facility uses locally produced natural gas liquids to make more than 1.6 million tons of polyethylene pellets, which are used in a variety of automotive, industrial, utility, and consumer goods. Marcellus Shale natural gas has the lowest carbon footprint of any basin in the world, according to the Clean Air Task Force.

The facility is also a proposed anchor of a hydrogen hub, in response to the Department of Energy's call for applications for projects around the country to receive a share of funding to stand up carbon capture and hydrogen hubs to develop the next generation of sustainable manufacturing and energy production.

A Strong Domestic Manufacturing, Energy and Chemicals Sector is Necessary for Growth, Food Security and Energy Independence

These case studies are exemplary reminders of the importance of Pennsylvania and American-made chemicals, plastics and, more broadly, a strong domestic manufacturing sector to meet the challenges of climate change and the needs of a growing global economy – one whose needs for energy, materials and products ought to come from free market democracies committed to the rule of law. Natural gas-derived products like ethylene and propylene can be used in a number of energy efficiency applications, such as advanced insulation and sealants. Plastic casing is used on a number of energy production and distribution technologies, including to improve weather resistance for renewable power generation.

The world will continue to need these products in this century and beyond. The only question will be where they are made. Restricted fossil fuel production into the manufacture of fertilizer and ammonia threatens to raise food insecurity globally, as the United Nations recently noted.

High energy prices impact everything from the manufacturing sector to the operations of schools and the healthcare system, but are regressive to lower income families. The average low-income

household "spends three times more of their income on energy costs compared to the median spending of non-low income households," according to a 2020 analysis of energy burdens by the American Council for an Energy-Efficient Economy.[2] The gap is more pronounced for Native American, Black and Hispanic households in lower income deciles.

High energy prices also drive up the cost of the fertilizers needed to feed a growing world. Energy economist Vaclav Smil has estimated the process to manufacture synthetic fertilizer from ammonia and nitrogen, through petrochemical feedstocks, has allowed the world to feed more than 2 billion people more than it would have otherwise. The ability for the global economy to produce additional volumes of fertilizer is contingent on the availability of these feedstocks.

The United Nations' World Food Programme recently released a report on the on-going crisis of food affordability, owing in large part to disruption in energy and transportation from Russia's horrific and illegal invasion of Ukraine. Noted the UN, the "effects of the war in Ukraine, including higher natural gas prices, have further disrupted global fertilizer production and exports – reducing supplies, raising prices and threatening to reduce harvests. High fertilizer prices could turn the current food affordability crisis into a food availability crisis, with production of maize, rice, soybean and wheat all falling in 2022."[3] The UN estimates that a mere 1 percent increase in global food prices as a result of the energy price shock will jeopardize the food security of 10 million people in the developing world.

Due to extraordinarily high energy prices – ten and twenty-fold what we are facing here - major manufacturers in Europe of commodities and products, from chemicals to steel to fertilizer to batteries, have suspended production. Some have indicated they will relocate operations out of the Continent entirely. We should take steps to both deliver more energy to our allies in Europe and welcome relocated investment to American soil.

Pennsylvania's Approach to Environmental Justice Has Produced Effective Community Engagement and Durable Permitting Decisions

We suggest as this debate continues that Pennsylvania's history and approach to environmental justice be recognized. Twenty-five years ago, the Supreme Court mooted a first-of-its-kind case involving a community group of residents in Chester County (outside of Philadelphia) alleging discrimination from the proposing siting of a waste processing facility. Following the Court's decision, Gov. Tom Ridge convened an Environmental Justice Working Group which deliberated over the next two years to provide recommendations to the state over how to improve public participation for minority and low-income communities during the permitting process. The Pennsylvania Department of Environmental Protection created an Environmental Justice Advisory Board as well as an Office of Environmental Advocate to foster community involvement as recommended by the working group and, in 2004, developed a formal policy to ensure public participation by these communities. DEP is currently working on revising its public policy after

[2] How High Are Household Energy Burdens? American Council for an Energy-Efficient Economy, September 2020. https://www.aceee.org/sites/default/files/pdfs/u2006.pdf
[3] Global Hunger Crisis. United Nations World Food Programme, January 2023. https://www.wfp.org/global-hunger-crisis/

multiple rounds of stakeholder input listening sessions, and Acting Secretary Rich Negrin recently announced his intention to elevate the Office of Environmental Advocate to its own deputate within the agency, with additional staffing and resources to support the mission. In short, even if it may be said that the state's approach over-inclusively screens in projects for potential impacts on low-income and minority residents, Pennsylvania has, to date, established a process that has ensured public participation from impacted communities and a permitting process that produces durable permitting decisions from the agency.

We implore federal policymakers to recognize that this process was the result of extensive and deliberative discussions with Pennsylvania's industry, regulators, communities and local government; the last thing our state needs is a federally imposed process that discourages investment into our state, especially in communities in need of greater investment. To cite one example, the Obama administration's EJ 2020 plan stated a goal of achieving attainment with all PM 2.5 standards in low-income communities as soon as possible. According to EPA's design value map, Pennsylvania is measuring such attainment; lowering the PM 2.5 standards to 8 ug/m3, a level being considered by EPA and supported by advocates, would conflict with this goal and possibly lead to a restriction on new highway and bridge infrastructure in these communities – not to mention higher operating costs and discouragement in investing and expanding in commercial and industrial operations in the area, the closure of which would likely bring with it further negative economic consequences for the community. It must not be lost that even though the state is measuring attainment for PM and other criteria emissions, by virtue of our state being in the Ozone Transport Region, any new major source of emissions (or a major modification of an existing facility) will be required to acquire and surrender emissions credits at a greater than 1:1 ratio, as well as install and operate the most stringent pollution control technology, known as Lowest Achievable Emission Rate controls.

As noted before, the energy, plastics and chemicals industries are a major economic driver in our state, but it has not been our experience in Pennsylvania that plastic production operations have frequently triggered environmental justice analyses and the associated enhanced public participation process, owing both to the geographies in which they operate and the nearby demographics. Nonetheless, there remains an extremely protective and stringent regulatory regime applicable to these facilities and operations, and we encourage a balanced discussion that recognizes the important economic benefit of our state's energy, manufacturing and chemical sectors as well as any environmental impacts that need to be addressed.

It is also imperative that as state and federal regulators and legislators define policy goals with respect to environmental justice, the implementation of these goals must come through clearly articulated, objective regulatory standards, established by statute and through a rulemaking process, that are applied fairly and without excessive conditioning of permits and processes. Such procedural guardrails are in harmony with environmental justice principles regarding community and stakeholder engagement.

At the same time, we support the fair treatment and meaningful involvement of all people and processes and an equitable approach to addressing environmental challenges regardless of race, color, national origin, or income. Ensuring meaningful engagement of all impacted communities

will help identify the most pressing issues and allow for development of locally-led, collaborative solutions that are responsive to concerns and allow communities to thrive.

To Expand Opportunity and Growth, We Encourage the Senate and Congress to Build on Recent Permitting Reforms

Over the past few years, Congress has enacted some very significant energy and permit streamlining policies, thanks to buy-in from both sides of the aisle in the U.S. House and Senate. In 2020, the defense bill included major provisions to support American leadership in the nuclear industry, including support for the next generation of safe and effective advanced reactor designs. A year-end spending bill also included support for carbon capture (which the U.S. Department of Energy has said must be part of the energy picture to achieve decarbonization goals) and a phasedown in the use of hydrofluorocarbons, a potent greenhouse gas. With support from the business community and many other stakeholders, President Biden signed into law the bipartisan infrastructure bill, which not only included billions for bridges, highways, clean water and broadband for Pennsylvania and other states, but also codified significant permitting reforms to federal environmental reviews. These reforms to cut red tape were a Trump administration policy that have become law with the signature of a Democratic president.

This progress on cutting federal tape has come as lawmakers on both sides of the aisle in Washington recognized that addressing the challenges of growing the economy, improving environmental quality, continuing the energy transition, and ensuring abundant, affordable energy will only happen when policy promotes innovation and building new projects in the United States. In addition, the non-partisan policy think tank Common Good estimates permitting delays on energy projects costs the nation trillions in public health costs.

Permitting delays impede the confidence of lending institutions to close a business loan, and the overall delay and uncertainty from our dysfunctional approach to building infrastructure and energy projects in this country leads to underinvestment into development of the resources needed to power our economy. A tax and regulatory approach that sends a strong signal to invest and that improves the efficiency of government will lead to greater opportunity for Pennsylvanian families and our businesses, helping them grow and expand here.

We were honored to attend the U.S. Chamber's Permit America to Build event in April and are encouraged to see both Senators Carper and Capito, the chairs of the Senate Environment Public Works, pledge at that event their commitment and support to working towards meaningful permitting reform. As noted above, both parties in both the House and Senate have enacted reforms to the permitting process over the past few years, including in the debt ceiling compromise, and have established clearly through legislation to bolster supply chains and domestic manufacturing. We strongly encourage the legislative branch to get permitting reform done, as well as establish tax and regulatory policy that encourages the projects to be built here.

As noted throughout this testimony, disadvantaged communities across our state and country want jobs, investment and sustainable development, and it is incumbent upon the House, the Senate and

the administration to foster pro-growth policy that allows that to happen. As demonstrated by the projects I have highlighted, industry is leaning in, provided there is a path forward for investment in these communities.

Thank you for the opportunity to appear before you this morning, and I am happy to answer any questions you may have.